

CALIFORNIA ENERGY COMMISSION

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Sacramento, California 95814

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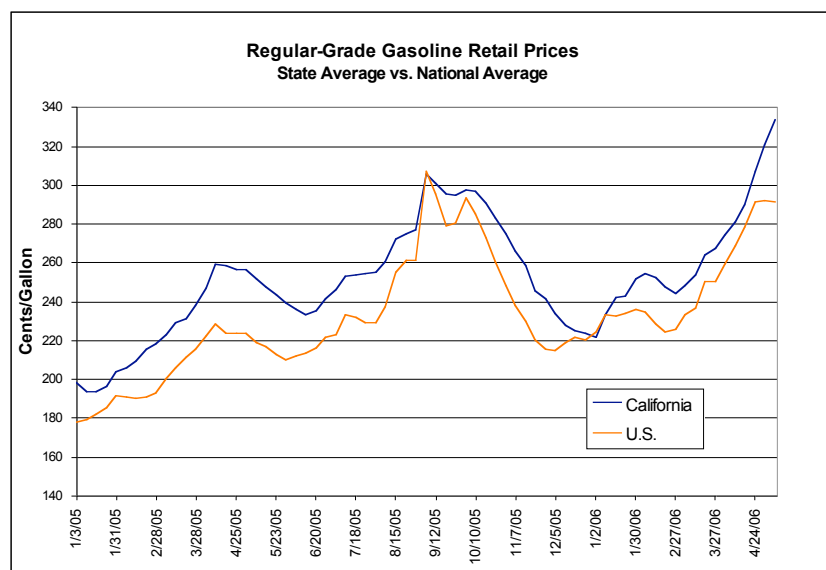
Main website: www.energy.ca.gov

Children's website: www.energyquest.ca.gov

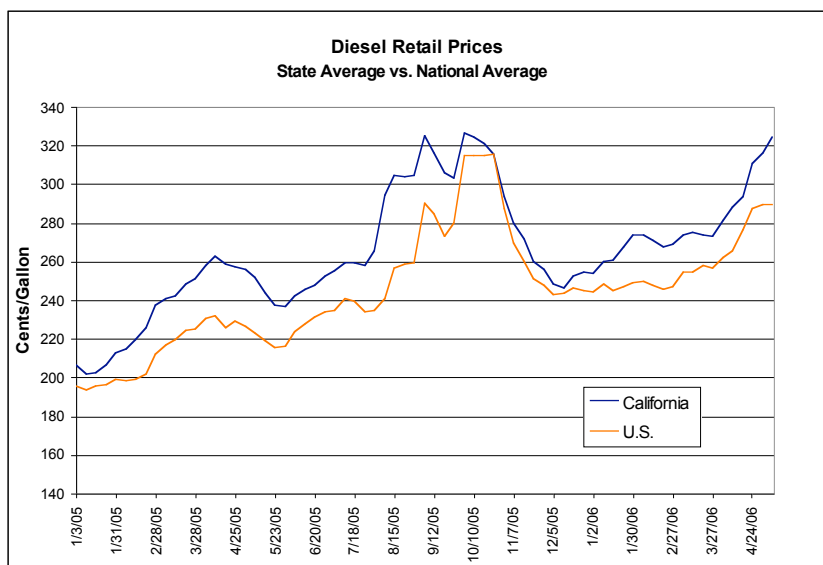
Consumer Information: www.ConsumerEnergyCenter.org

**Petroleum Watch****May 12, 2006*****Retail Gasoline and Diesel Prices on May 8***

- The average statewide retail price for regular-grade gasoline increased for the tenth consecutive week to a new record high of \$3.33 per gallon, 13 cents higher than last week and \$1.12 more than the 2006 low of \$2.21 on January 2.
- The difference between California and U.S. retail gasoline prices jumped in the last week to 42 cents per gallon, the largest difference since April 2003.¹



- The average California retail diesel price rose 8 cents from the previous week to \$3.24 per gallon and is now only 2 cents less than the record high of October 3, 2005. The difference between California and U.S. retail diesel prices has grown to 35 cents per gallon.

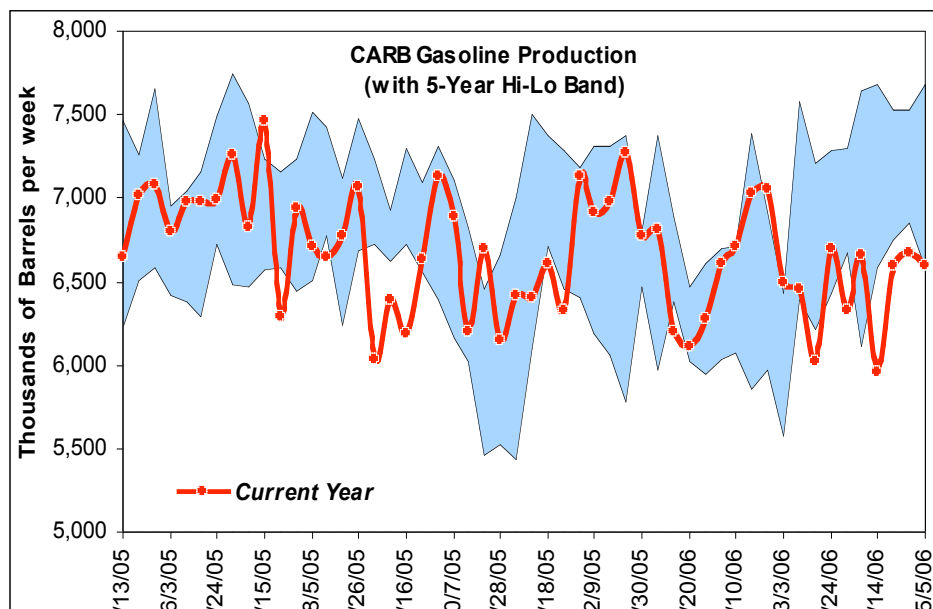


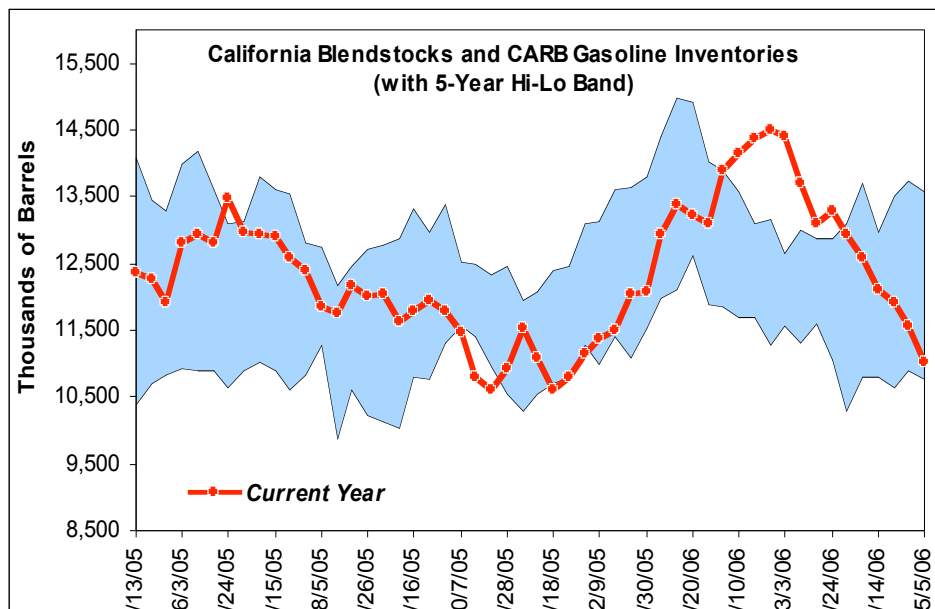
Wholesale Gasoline and Diesel Prices on May 9

- California spot wholesale reformulated regular-grade **gasoline prices** have fallen sharply since spiking to \$2.97 per gallon on May 2. Prices have retreated to \$2.57 but are still \$1.01 greater than the 2006 low of \$1.56 on February 14.
- Falling crude oil prices and lower gasoline prices elsewhere in the U.S. have helped bring California spot prices down, despite constraints on in-state production.
- Although wholesale prices nationally also dropped from the previous week, the difference between California spot prices and those for reformulated gasoline on the Gulf Coast has declined to 57 cents higher in California. This is 22 cents lower than the previous week but well above averages for March and April.
- After reaching a record-high peak of \$2.68 per gallon on May 3, California spot wholesale low-sulfur **diesel prices** have dropped 34 cents to \$2.34. This is still 60 cents higher than the 2006 low of \$1.74 on February 15.
- The difference between California and Gulf Coast wholesale diesel prices has declined sharply, from 57 cents higher in California on May 3 to 23 cents higher currently.
- The sharper wholesale price declines for gasoline in the state have narrowed the difference between California gasoline and diesel spot prices from 44 cents more for gasoline on May 2 to 23 cents currently.
- The Energy Information Administration weekly assessment for May 5 reports that **U.S. gasoline demand** increased 2.7 percent from the previous week, while distillate demand rose 0.7 percent. The four-week average demand for gasoline, however, is 9.139 million barrels per day, 0.3 percent lower than last year. The four-week average for U.S. distillate demand is 4.066 million barrels per day, down 1.5 percent from last year.

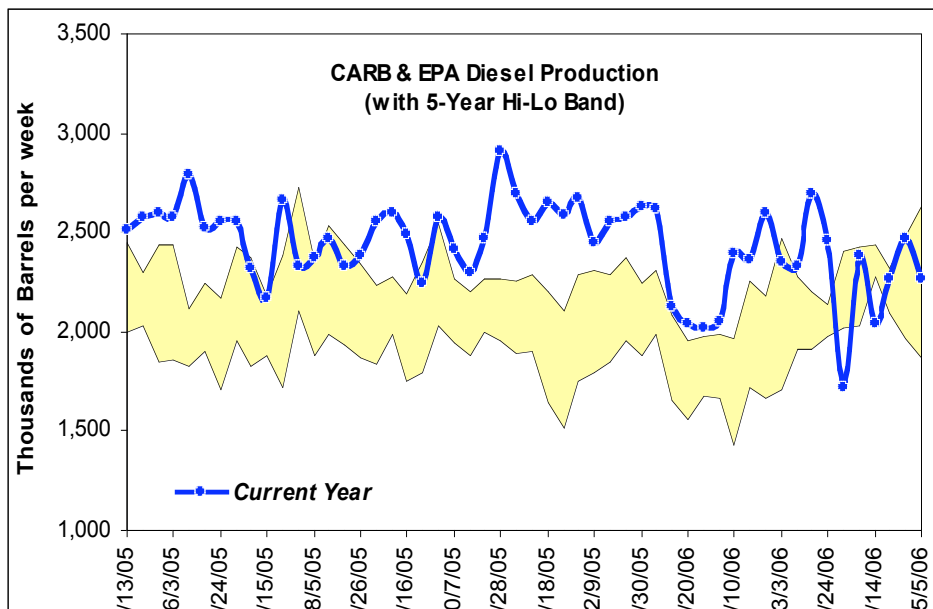
Refinery Production and Inventories

- Reformulated **gasoline production** in California during the week ending May 5 declined to 6.6 million barrels, 1.2 percent lower than the previous week and 3.3 percent less than last year. Substantial ongoing refinery maintenance and unplanned outages have kept output at the lower end of the five-year range for the last two months.²
- California reformulated **gasoline inventories** fell 6.4 percent from the previous week, while gasoline blendstock inventories dropped by 3.5 percent. Refiners have drawn down the large inventory they built up during February in anticipation of the maintenance season. Combined inventories of reformulated gasoline and gasoline blendstocks in the state have fallen to 11 million barrels, at the lower end of the five-year range and 14.2 percent lower than last year.
- U.S. gasoline inventories rose by 2.3 million barrels from the previous week to 205.1 million barrels as of May 5 from big jumps in production and imports.

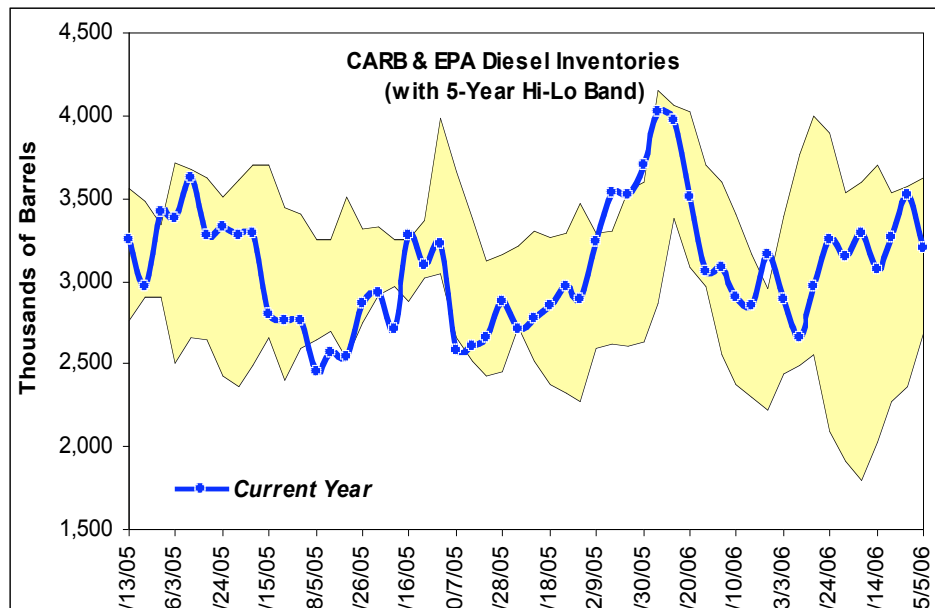




- California low-sulfur **diesel production** during the week of May 5, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, fell 8 percent from the previous week on refinery maintenance and unplanned outages affecting diesel-producing units but is still near the middle of the five-year range.

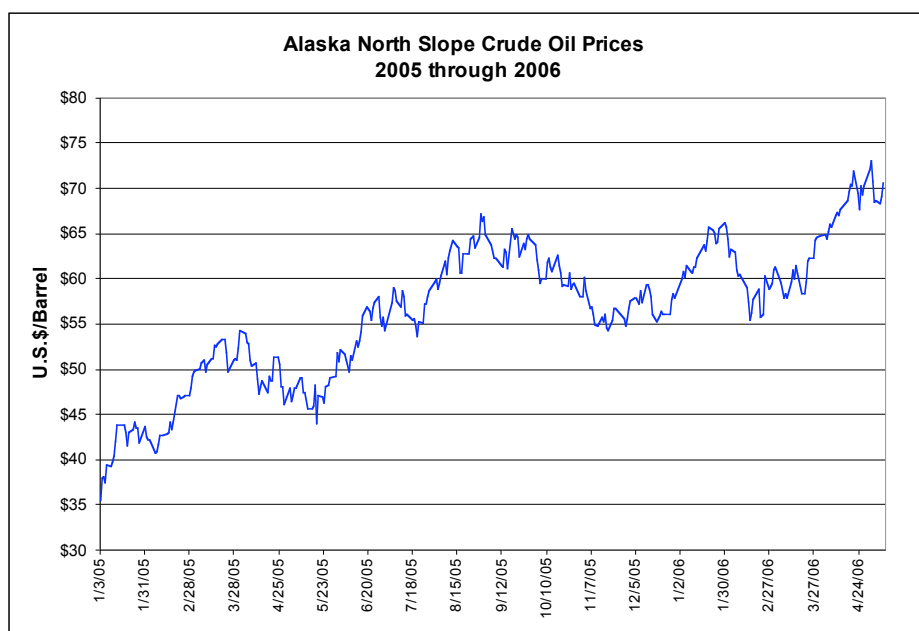


- Combined low-sulfur **diesel inventories** in California decreased 9.4 percent from the previous week to 3.2 million barrels, dropping toward the middle of the five-year range. U.S. distillate inventories grew by 170,000 barrels from the previous week to 114.7 million barrels as of May 5 and are 10.7 million barrels more than last year.



Crude Oil Prices and Inventories

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, dropped back below \$70 per barrel during this last week from a record high of \$72.88 per barrel on May 2. Growing crude oil inventories, slightly higher OPEC production during April, and a letter from President Ahmadinejad of Iran to U.S. President Bush, the first direct communication between leaders of the two countries in 27 years, pushed crude oil prices lower. However, the letter was short on proposals to settle the dispute over Iran's nuclear aspirations. Elsewhere, industry nationalization trends in Latin America and Russia, ongoing tension with militants in the Delta region of Nigeria, oil theft and insurgent attacks in Iraq, production problems in eastern Canada, and pipeline problems in Alaska kept prices from declining very far. ANS oil prices climbed back to \$70.53 per barrel as of May 10.³



- U.S. commercial crude oil inventories increased to 347 million barrels as of May 5, the highest levels since May 1998. This is 272,000 barrels more than the previous week, 17.3 million more than last year, and 35.8 million more than the five-year average. The weekly increase was smaller than anticipated as rising imports were offset by higher refinery runs.
- The return of offshore crude oil production in the Gulf Coast has slowed in recent months, and a substantial amount remains off-line. According to the latest available Minerals Management Service report, as of May 3 almost 22 percent of U.S. Gulf of Mexico offshore oil production, or 324,445 barrels per day, remains shut down from last year's hurricanes. Almost 154 million barrels of crude oil production have cumulatively been lost to these hurricanes since late August, about 28 percent of annual Gulf of Mexico offshore oil production.

¹ Spot wholesale and retail gasoline and diesel prices are from the Energy Information Administration of the U.S. Department of Energy.

² California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

³ ANS crude oil prices are from *The Wall Street Journal*. U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.